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SUBJECT: CODEL RENZI MEETS PANAMANIAN PRESIDENT MARTIN
TORRIJOS, DISCUSSES FREE TRADE AGREEMENT, VENEZUELAN
PIPELINE DEAL

Classified By: Ambassador Linda E. Watt for reasons 1.4 (b) and (d).

Torrijos: "I Need Help on Rice"

1. (C) In a cordial April 1 meeting with President Martin Torrijos and Vice President Lewis, Rep. Rick Renzi (R-Arizona) said that the USG must get Panamanian government (GOP) concessions on Canal procurement and the right of U.S. citizens to engage in retail trade to bring the bilateral Free Trade Agreement talks to conclusion. Renzi added that the USG must have a "landing zone" on four remaining agricultural issues (pork, poultry, sugar, and rice) but was confident that negotiators could hammer out a deal if procurement and retail trade are resolved. If Panama agrees with that approach, Renzi said, Minister of Commerce and Industry (MICI) Alejandro "Andy" Ferrer can confirm it with a phone call to Acting USTR Peter Allgeier or AUSTR Regina Vargo. After that, Renzi said, USTR will schedule a final round. In reply, Torrijos quipped that on rice he needs "an airport, not a landing zone" and remarked that the two sides "are not that close" on the four ag issues. (Later in a pull-aside, Renzi reported that Torrijos claimed to have "no wiggle room on rice" and needs "help" at the talks on that issue. Farmers are financing labor groups opposed to the GOP's forthcoming proposals to reform Panama's social security system, Torrijos claimed.)

Washington Has Taken Note

2. (C) Renzi told Torrijos that Washington has noticed his leadership and that U.S. policy makers regard him as a quality leader and a solid friend, whose momentum toward better government is working for stability in Panama and the region.

Retail Trade "Tough"

3. (C) Vice MICI Minister Paredes also commented on the FTA talks at the dinner hosted by Vice President/Foreign Minister Samuel Lewis following the Renzi-Torrijos meeting, implying that Panama plans to use its leverage on Canal procurement and retail trade to extract U.S. concessions on pork, poultry, sugar, and rice. Paredes claimed that the two sides had agreed on all procurement issues except the Canal. Panama is willing to discuss opening retail trade to U.S. investors, Paredes said, but described the issue as "tough" for Panama because concluding it will require a constitutional amendment. Paredes discounted suggestions of finding a "fix" for the problem, saying investors need to come in "through the front door." (Note: In Panama constitutional changes must be approved by two successive legislatures, meaning the earliest an amendment could be passed would be 2009.) Paredes predicted that Panamanian negotiators would go to the next FTA round with the mind-set to close the deal in two or three days at the most.

Torrijos Does Not Yield on Venezuela Pipeline

4. (C) Further to his one-on-one April 1 pull-aside with Torrijos, Renzi reported that he pressed Torrijos to reconsider the GOP's receptivity to proposals to modify an existing trans-Isthmus pipeline in western Panama to carry Venezuelan oil to a Pacific port, presumably for sale to China. Torrijos did not yield, explaining that the project would produce much-needed cash for Panama. Further, Panama would be able to control the flow of oil. Torrijos claimed that if Panama refused the project, Venezuela would build it through Colombia.

Comment

5. (C) MICI Minister Ferrer will have "full authority" to conclude the FTA at the next round (eight rounds have been held since 2004), as various GOP officials, including

Paredes, have assured us. Unfortunately Ferrer was out of Panama on April 1 (he was in East Asia concluding a bilateral FTA with Singapore) and could not comment on Rep. Renzi's proposals. If the key to scheduling a new and final FTA round lies in confirming Panama's willingness to accede to U.S. requests on Canal procurement and retail trade, while splitting the difference on ag issues, as Renzi told Torrijos, Paredes, and FM Lewis, we did not hear a clear endorsement of that approach from the Panamanians on April 1. On Venezuela, Renzi was disappointed that Torrijos hung tough on continuing discussions of the pipeline project.

16. (U) Codel Renzi did not have the opportunity to clear this message.

WATT